



0000118344

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

SEP 28 2010

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION OF
BACA FLOAT WATER COMPANY FOR A
PERMANENT RATE INCREASE.

DOCKET NO. WS-01678A-09-0376

DECISION NO. 71907ORDER

Open Meeting
September 21 and 22, 2010
Phoenix, Arizona

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. Baca Float Water Company ("Baca Float" or "Company"), is an Arizona 'C' corporation engaged in the business of providing water utility service to approximately 400 customers in Tubac, Pima County, Arizona. The Commission approved the original Certificate of Convenience and Necessity ("CC&N") for Baca Float in Decision No. 32233 (May 31, 1960). The Company's current rates and charges for water service became effective January 10, 1997.¹

2. On July 30, 2009, Baca Float filed with the Commission an application for a permanent rate increase ("Application").²

¹ The Company's original rates were approved when it received its CC&N in May 1960. On December 12, 1996, the Company filed with the Commission a proposed revised rate tariff and proposed Cross-Connection and Backflow Tariffs. The tariffs, including the revised rate tariff, were approved by operation of law on January 10, 1997. According to correspondence the Company filed with the tariffs, Baca Float at that time was not providing service to customers, but expected that it would begin serving customers in 1997.

² In Decision No. 69949 (October 30, 2007), In the Matter of the Application of Baca Float Water Company for an Extension of its Existing Certificate of Convenience and Necessity for Water Service, the Commission ordered the Company to file a rate case with the Commission by May 31, 2009, using a 2008 test year.

1 3. On August 31, 2009, the Commission's Utilities Division Staff ("Staff") issued a
2 Letter of Deficiency.

3 4. On September 11, 2009, the Company filed its responses to Staff's Letter of
4 Deficiency and also filed amendments to the Application.

5 5. On April 12, 2010, Staff filed its Sufficiency Letter, classifying the Company as a
6 Class D utility, and indicating that the Staff Report in this matter would be filed on or about June 28,
7 2010.

8 6. On June 24, 2010, Staff filed a Request for Extension of Time to File Staff Report
9 until July 14, 2010.

10 7. On June 28, 2010, a Procedural Order was issued granting Staff's Request and
11 extending the time clock in this matter accordingly.

12 8. On July 14, 2010, Staff filed its Staff Report recommending approval of the
13 Company's Application, subject to certain conditions.

14 9. On July 16, 2010, the Company filed its Responses to Staff's Data Requests dated
15 June 18, 2010.

16 10. The Company notified its customers of the proposed rates and charges by first class
17 U.S. mail on July 28, 2009. Five customers filed comments in opposition to the Company's proposed
18 rate increase.

19 11. During the test year ended December 31, 2008, the Company served approximately
20 252 customers on 5/8-inch x 3/4-inch meters, 108 customers on 3/4-inch meters, 21 customers on 1-
21 inch meters, and 20 customers on a 1-1/2-inch meters.

22 12. Average and median usage on the 5/8-inch x 3/4-inch meters during the test year were
23 3,700 and 2,464 gallons per month, respectively.

24 13. The rates and charges for the Company at present, as proposed in the Application, and
25 as recommended by Staff are as follows:
26
27
28

		Present Rates	Company Proposed	Staff Recommended
1	<u>MONTHLY USAGE CHARGE:</u>			
2	<u>All Classes</u>			
3	5/8" x 3/4" Meter	\$15.00	N/A	\$15.00
4	3/4" Meter	15.00	N/A	22.50
5	1" Meter	15.00	N/A	37.50
6	1-1/2" Meter	15.00	N/A	75.00
7	2" Meter	15.00	N/A	120.00
8	3" Meter	15.00	N/A	240.00
9	4" Meter	15.00	N/A	375.00
10	6" Meter	15.00	N/A	750.00
11				
12	<u>Residential</u>			
13	5/8" x 3/4" Meter	N/A	\$30.00	N/A
14	3/4" Meter	N/A	32.00	N/A
15	1" Meter	N/A	35.00	N/A
16	1-1/2" Meter	N/A	38.00	N/A
17	2" Meter	N/A	40.00	N/A
18	3" Meter	N/A	55.00	N/A
19	4" Meter	N/A	60.00	N/A
20	6" Meter	N/A	80.00	N/A
21				
22	<u>Commercial/Industrial</u>			
23	5/8" x 3/4" Meter	N/A	\$35.00	N/A
24	3/4" Meter	N/A	37.00	N/A
25	1" Meter	N/A	40.00	N/A
26	1-1/2" Meter	N/A	45.00	N/A
27	2" Meter	N/A	48.00	N/A
28	3" Meter	N/A	50.00	N/A
29	4" Meter	N/A	60.00	N/A
30	6" Meter	N/A	80.00	N/A
31				
32	<u>Irrigation</u>			
33	5/8" x 3/4" Meter	N/A	\$45.00	N/A
34	3/4" Meter	N/A	48.00	N/A
35	1" Meter	N/A	50.00	N/A
36	1-1/2" Meter	N/A	55.00	N/A
37	2" Meter	N/A	60.00	N/A
38	3" Meter	N/A	65.00	N/A
39	4" Meter	N/A	75.00	N/A
40	6" Meter	N/A	95.00	N/A
41				
42				
43				
44				
45				
46				
47				
48				
49				
50				

COMMODITY RATES:
(per 1,000 Gallons)

All Meter Sizes

0 to 5,000 Gallons	\$1.75	N/A	N/A
Over 5,000 Gallons	2.30	N/A	N/A

Residential

0 to 3,000 Gallons	N/A	\$ 2.19	N/A
3,001 to 10,000 Gallons	N/A	2.73	N/A
Over 10,000 Gallons	N/A	3.42	N/A

Commercial/Industrial

0 to 3,000 Gallons	N/A	2.84	N/A
3,001 to 10,000 Gallons	N/A	3.55	N/A
Over 10,000 Gallons	N/A	4.44	N/A

Irrigation

0 to 3,000 Gallons	N/A	3.50	N/A
3,001 to 10,000 Gallons	N/A	4.37	N/A
Over 10,000 Gallons	N/A	5.47	N/A

5/8" x 3/4" Meter (Residential)

0 to 3,000 Gallons	N/A	N/A	\$3.25
3,001 to 10,000 Gallons	N/A	N/A	4.90
Over 10,000 Gallons	N/A	N/A	5.85

3/4" Meter (Residential)

0 to 3,000 Gallons	N/A	N/A	3.25
3,001 to 10,000 Gallons	N/A	N/A	4.90
Over 10,000 Gallons	N/A	N/A	5.85

5/8" x 3/4" (Non-Residential)

0 to 10,000 Gallons	N/A	N/A	4.90
Over 10,000 Gallons	N/A	N/A	5.85

3/4" Meter (Non-Residential)

0 to 10,000 Gallons	N/A	N/A	4.90
Over 10,000 Gallons	N/A	N/A	5.85

1" Meter (All Classes)

0 to 16,000 Gallons	N/A	N/A	4.90
Over 16,000 Gallons	N/A	N/A	5.85

1 1/2" Meter (All Classes)

0 to 48,000 Gallons	N/A	N/A	4.90
Over 48,000 Gallons	N/A	N/A	5.85

2" Meter (All Classes)

0 to 90,000 Gallons	N/A	N/A	4.90
Over 90,000 Gallons	N/A	N/A	5.85

3" Meter (All Classes)

0 to 160,000 Gallons	N/A	N/A	4.90
Over 160,000 Gallons	N/A	N/A	5.85

4" Meter (All Classes)

0 to 285,000 Gallons	N/A	N/A	4.90
Over 285,000 Gallons	N/A	N/A	5.85

6" Meter (All Classes)

0 to 640,000 Gallons	N/A	N/A	4.90
Over 640,000 Gallons	N/A	N/A	5.85

Bulk Water

N/A	N/A	5.85
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SERVICE LINE AND METER INSTALLATION CHARGES:

	<u>Company</u>		<u>Staff Recommended</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Service Line</u>	<u>Meter</u>	<u>Total</u>
	<u>Tariff</u>	<u>Tariff</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>
5/8" x 3/4" Meter	\$ 360.00	\$ 450.00	\$ 360.00	\$ 90.00	\$ 450.00
3/4" Meter	400.00	500.00	360.00	140.00	500.00
1" Meter	460.00	575.00	370.00	205.00	575.00
1-1/2" Meter	675.00	845.00	510.00	335.00	845.00
2" Meter	1,100.00	1,375.00	800.00	575.00	1,375.00
3" Meter	1,550.00	1,940.00	1,015.00	925.00	1,940.00
4" Meter	2,450.00	3,065.00	1,430.00	1,635.00	3,065.00
6" Meter	4,700.00	5,875.00	2,150.00	3,725.00	5,875.00

SERVICE CHARGES:

	<u>Present</u>	<u>Company</u>	<u>Staff</u>
	<u>Rates</u>	<u>Proposed</u>	<u>Recommended</u>
Establishment	\$20.00	\$20.00	\$20.00
Establishment (After Hours)	30.00	30.00	30.00
Reconnection (Delinquent)	30.00	30.00	20.00
Reconnection (Delinquent and After Hours)	N/A	50.00	50.00
Meter Test (if correct)	30.00	30.00	30.00
Deposit	30.00	100.00	*
Deposit Interest	6.00%	1.75%	*
Re-Establishment (Within 12 Months)	25.00	25.00	**
NSF Check	12.00	25.00	25.00
Deferred Payment, Per Month	1.50%	1.50%	1.50%
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Fee	1.50%	1.50%	1.50%

Monthly Service Charge for Fire Sprinklers

4" or Smaller	N/A	N/A	***
6"	N/A	N/A	***
8"	N/A	N/A	***
10"	N/A	N/A	***
Larger than 10"	N/A	N/A	***

* Per Commission Rule A.A.C. R14-2-403(B).

** Months off system times the monthly minimum (R14-2-403(D)).

*** 2.00% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

14. Staff determined Baca Float's original cost rate base, which is the same as its fair value rate base ("FVRB"), to be \$277,972. This is an \$88,409 increase to Baca Float's proposed FVRB of \$189,563, based primarily upon Staff's adjustments to plant-in-service,³ accumulated depreciation, advances in aid of construction, contributions in aid of construction, amortization of contributions in aid of construction and working capital. Staff's proposed rate base adjustments are reasonable and will be adopted.

15. During the test year, Baca Float reported total operating revenues of \$109,061. Staff increased the Company's operating revenues by \$4,551, for total adjusted test year revenues of \$113,612, due to information from the Company's submitted bill counts. Staff's adjusted operating revenues are reasonable and shall be adopted.

16. Staff decreased Baca Float's claimed test year operating expenses by \$52,199, from \$239,693 to \$187,494, due to adjustments to repairs and maintenance expense, outside services, water testing expense, rate case expense, depreciation expense, and income tax expense. Staff's proposed adjustments to operating expenses are reasonable and will be adopted.

17. The water rates and charges Baca Float proposed would produce operating revenue of \$209,061 and operating expenses of \$239,743, resulting in an operating loss of \$30,682, for no return on its proposed \$189,563 FVRB.

³ During Engineering Staff's field inspection of the system, Staff found that a portion of the Embarcadero at Barrio de Tubac Subdivision had complete facilities, but only one lot was being served. After reviewing information received from the Company about this infrastructure, Staff recommended the removal of unused mains, totaling \$60,934, from plant-in-service because the mains were not used and useful at the time of Staff's field inspection.

1 18. The water rates and charges Staff recommends would produce operating revenues of
2 \$199,932 and operating expenses of \$190,057, resulting in a \$9,875 operating income, for a 3.55
3 percent rate of return on Staff's recommended \$277,972 FVRB, and an operating margin of 4.94
4 percent.

5 19. The Company's proposed rate schedule would increase the average monthly
6 residential customer bill (3,700 gallons, on a 5/8-inch x 3/4-inch meter) by \$17.01, or 79.2 percent,
7 from \$21.47 to \$38.48 and would increase the median monthly residential customer bill (2,464
8 gallons, on a 5/8-inch x 3/4-inch meter) by \$16.09, or 83.3 percent, from \$19.31 to \$35.40.

9 20. Staff's recommended rates would increase the average monthly residential customer
10 bill (3,700 gallons, on a 5/8-inch x 3/4-inch meter) by \$6.71, or 31.3 percent, from \$21.47 to \$28.18
11 and would increase the median monthly residential customer bill (2,464 gallons, on a 5/8-inch x 3/4-
12 inch meter) by \$3.70, or 19.2 percent, from \$19.31 to \$23.01.

13 21. The Company did not object to Staff's recommended rates and charges, and we find
14 that Staff's recommended rates are reasonable and will be adopted. In the Company's proposed
15 service charges, Staff notes that Baca Float's "Reconnection (Delinquent)" service charge is currently
16 \$30.00. The Company proposes to maintain its current charge for this service; however, Staff
17 proposes to reduce the charge to \$20.00.⁴

18 22. We believe it is reasonable to retain the current Delinquent Reconnection service
19 charge of \$30.00, as it is within the range of the Company's other establishment charges. Staff's
20 remaining recommended service charges are reasonable and shall be adopted.

21 23. Staff recommends that the Company file with the Commission a schedule of its
22 approved rates and charges no later than 30 days from the effective date of this Decision.

23 24. Staff recommends that Baca Float be authorized to collect from its customers a
24 proportionate share of any privilege, sales or use tax as provided for in Arizona Administrative Code
25 ("A.A.C.") R-14-2-409(D).
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27

28 ⁴ Staff Report, Schedule DRE-4, page 3.

3. Notice of the Application was provided in the manner prescribed by Arizona law.

4. The rates and charges authorized below are just and reasonable and should be approved without a hearing.

5. Staff's recommendations, as modified, as well as the recommendation set forth in Findings of Fact No. 30 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that Baca Float Water Company is hereby directed to file with Docket Control, as a compliance item in this docket, within 30 days of the effective date of this Decision, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGE:

All Classes

5/8" x 3/4" Meter	\$15.00
3/4" Meter	22.50
1" Meter	37.50
1-1/2" Meter	75.00
2" Meter	120.00
3" Meter	240.00
4" Meter	375.00
6" Meter	750.00

COMMODITY RATES:

(per 1,000 Gallons)

5/8" x 3/4" Meter (Residential)

0 to 3,000 Gallons	\$3.25
3,001 to 10,000 Gallons	4.90
Over 10,000 Gallons	5.85

3/4" Meter (Residential)

0 to 3,000 Gallons	3.25
3,001 to 10,000 Gallons	4.90
Over 10,000 Gallons	5.85

5/8" x 3/4" (Non-Residential)

0 to 10,000 Gallons	4.90
Over 10,000 Gallons	5.85

3/4" Meter (Non-Residential)

0 to 10,000 Gallons	4.90
Over 10,000 Gallons	5.85

1" Meter (All Classes)

0 to 16,000 Gallons	4.90
Over 16,000 Gallons	5.85

1 1/2" Meter (All Classes)

0 to 48,000 Gallons	4.90
Over 48,000 Gallons	5.85

2" Meter (All Classes)

0 to 90,000 Gallons	4.90
Over 90,000 Gallons	5.85

3" Meter (All Classes)

0 to 160,000 Gallons	4.90
Over 160,000 Gallons	5.85

4" Meter (All Classes)

0 to 285,000 Gallons	4.90
Over 285,000 Gallons	5.85

6" Meter (All Classes)

0 to 640,000 Gallons	4.90
Over 640,000 Gallons	5.85

Bulk Water

5.85

SERVICE LINE AND METER INSTALLATION CHARGES:

	<u>Service Line Charge</u>	<u>Meter Charge</u>	<u>Total Charge</u>
5/8" x 3/4 " Meter	\$ 360.00	\$ 90.00	\$ 450.00
3/4 " Meter	360.00	140.00	500.00
1" Meter	370.00	205.00	575.00
1-1/2" Meter	510.00	335.00	845.00
2" Meter	800.00	575.00	1,375.00
3" Meter	1,015.00	925.00	1,940.00
4" Meter	1,430.00	1,635.00	3,065.00
6" Meter	2,150.00	3,725.00	5,875.00

SERVICE CHARGES:

Establishment	\$20.00
Establishment (After Hours)	30.00
Reconnection (Delinquent)	30.00
Reconnection (Delinquent and After Hours)	50.00
Meter Test (if correct)	30.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 Months)	**
NSF Check	25.00
Deferred Payment, Per Month	1.50%
Meter Re-Read (If Correct)	10.00
Late Fee	1.50%

Monthly Service Charge for Fire Sprinklers

4" or Smaller	***
6"	***
8"	***
10"	***
Larger than 10"	***

* Per Commission Rule A.A.C. R14-2-403(B).

** Months off system times the monthly minimum (A.A.C. R14-2-403(D)).

*** 2.00% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month.
The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after November 1, 2010.

IT IS FURTHER ORDERED that Baca Float Water Company shall notify its customers of the rates and charges authorized herein, and their effective date, in a form acceptable to the Commission's Utilities Division Staff, by means of an insert in the Company's next regularly scheduled billing.

IT IS FURTHER ORDERED that Baca Float Water Company shall adopt the depreciation rates attached hereto as Exhibit A.

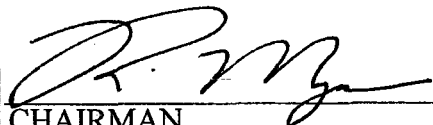
IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges, Baca Float Water Company shall collect from its customers a proportionate share of any privilege,

1 sales or use tax per A.C.C. R14-2-409(D).

2 IT IS FURTHER ORDERED that Baca Float Water Company shall continue to file annually,
3 as part of its annual report, an affidavit with the Utilities Division attesting that Baca Float Water
4 Company is current in paying its property taxes in Arizona.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN

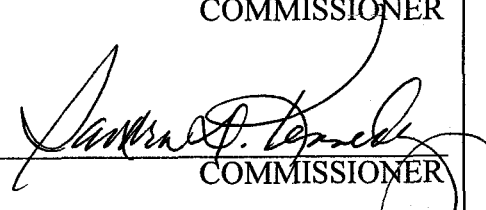
COMMISSIONER

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COMMISSIONER

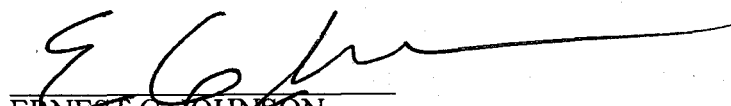
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COMMISSIONER

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COMMISSIONER

15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
16 Executive Director of the Arizona Corporation Commission,
17 have hereunto set my hand and caused the official seal of the
18 Commission to be affixed at the Capitol, in the City of Phoenix,
19 this 28th day of Sept., 2010.

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21

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

22 DISSENT _____
23

24 DISSENT _____
25
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28

1 SERVICE LIST FOR: BACA FLOAT WATER COMPANY

2 DOCKET NO. WS-01678A-09-0376

3
4 Richard Lockwood
5 BACA FLOAT WATER COMPANY
6 P. O. Box 1536
7 Tubac, AZ 85646

8 Janice Alward, Chief Counsel
9 Legal Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
12 Phoenix, AZ 85007

13 Steven M. Olea, Director
14 Utilities Division
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, AZ 85007
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EXHIBIT A

Table H-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company has requested changes to its service line and meter installation charges which are lower than Staff's customary range of charges. Staff will accept the Company's proposed charges.